



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 24 of 2017
CHANGES FOR 2018
November 28, 2017
Revised February 13, 2018
as the result of Public Acts 261-264 of 2017

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2018 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2018 assessment year.

A. Inflation Rate Used in the 2018 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2018 Capped Value Formula is 1.021.

The 2018 Capped Value Formula is as follows:

2018 CAPPED VALUE = (2017 Taxable Value – LOSSES) X 1.021 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.021 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2018

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not** be set lower than \$20,420 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$20,420. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2018 assessments.

Size of Family Unit	Poverty Guidelines
1	\$12,060
2	\$16,240
3	\$20,420
4	\$24,600
5	\$28,780
6	\$32,960
7	\$37,140
8	\$41,320
For each additional person	\$4,180

Note: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. Please see STC Bulletin 5 of 2012 for more information on poverty exemptions.

Note: P.A. 135 of 2012 changed the requirements for filing documentation in support of a poverty exemption to allow an affidavit (Treasury Form 4988) to be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year. This does include the owner of the property who is filing for the exemption.

C. Multipliers for the Valuation of Free-Standing Communication Towers

The State Tax Commission recommends that, subject to the qualifications stated below, communication towers should be valued for the 2018 assessment year using the table of **historical** (original cost when the tower was new) cost valuation multipliers set forth in the multiplier table below. These multipliers have been developed in a manner such that they account for the typical depreciation which is expected for a tower of the indicated age and also account for changes in the cost of the tower and erecting it that have occurred since the time the tower was constructed. On this basis, the multiplier table which is shown below is intended to predict the current true cash value of a tower of the vintage year in which the tower was constructed. An important component in determining the current value of a tower built in a given year is the change in the cost of materials, particularly changes in the cost of steel, between the time of construction and the current tax day. Since the table considers both depreciation and changes in construction costs, and since changes in construction cost have not always occurred at a constant rate, the multiplier table does not always evidence a decline in the rate by which the historical cost must be adjusted in order to determine current value. This effect is expected and can be better understood if one remembers that the multiplier table is not a depreciation table and the multipliers are applied to the historic cost of construction, not to the current replacement cost.

Communication towers are real property. When a communication tower is built on land owned by the owner of the tower, the tower is valued and assessed as a real property improvement to the land on which it is located. When a communication tower is built on leased land, the owner